

Reduced Rate of 5% VAT on Air Source Heat Pumps for residential and charity buildings

Did you know?

The Government is committed to reducing emissions of the gases responsible for global warming. Households create a quarter of all emissions, so as an incentive to purchase greener alternatives there is a Reduced Rate VAT on energy saving materials and this includes Air Source Heat Pumps (cooling and heating models only). A dedicated air source heat pump is estimated to save in excess of two tonnes of carbon emissions per year.

How does the Reduced Rate VAT work?

Equipment and installation costs for a qualifying project must be on the same invoice to benefit from the reduced rate of VAT. Therefore, the contractor will purchase an Air Source Heat Pump at the standard rate VAT (15%), but will sell to the qualifying final customer at the Reduced Rate VAT (5%).

The 'input tax' (VAT paid by the supplier when they made the purchase) will be more than the 'output tax' (VAT they charge) and the difference between the two can be reclaimed from Customs and Excise via the normal quarterly VAT return.

Which products are eligible for the 5% VAT?

There is an extensive range of Split, Multi Split and VRV air to air heat pumps all of which can provide an ideal solution for residential applications. Please refer to the products page of our website for more information about these particular applications.

What is covered under residential?

There are a number of 'residential' properties that are eligible for the 5% VAT, these include:

- Houses, Flats or other dwellings
- Armed forces residential accommodation
- Children's homes
- Homes providing care for the elderly, disabled or people who suffer drug or alcohol dependency or mental disorder
- Hospices
- Institutions that are the sole residence for at least 90% of their occupants
- Monasteries, nunneries and similar religious accommodation
- School and University residential accommodation
- Self catering holiday accommodation
- Permanently sited caravans (7m plus long or 2.3m wide)
- Permanent residential houseboats (subject to council tax)

What is a relevant charitable purpose?

- For non-business purpose (if a charity does not make a charge, its activities are generally non-business).
- As a village hall or similar in providing social or recreational facilities for a local community.